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Second report of the Secretary-General on the implementation of the recommendations of the Board of Auditors on the accounts of the United Nations funds and programmes for the biennium ended 31 December 2001

Report of the Secretary-General

Addendum

Summary

As mandated by the General Assembly in its resolution 52/212 B of 31 March 1998, the present report provides an update of the information previously submitted to the General Assembly in A/57/416/Add.1 and highlights the continuing efforts of the executive heads of 12 United Nations funds and programmes and the International Tribunal for Rwanda to implement the recommendations of the Board of Auditors on their accounts for the financial period ended 31 December 2001. Where a particular recommendation of the Board has been fully implemented since the issuance of the previous report, no further information is provided thereon.

* A/58/50/Rev.1 and Corr.1.

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I. Introduction

1. In its resolution 52/212 B of 31 March 1998, the General Assembly accepted the recommendation of the Board of Auditors contained in the annex to the note by the Secretary-General (A/52/753) that progress reports should be submitted to the General Assembly on an annual basis on measures taken or to be taken in response to the recommendations of the Board of Auditors. In preparing the present report, account was also taken of the provisions of the following General Assembly resolutions: 49/216 A of 23 December 1994, in particular paragraphs 9 and 10; 49/216 B, paragraphs 3 and 4; 49/216 C, paragraph 3; 50/204 A of 23 December 1995, paragraph 4; 51/225 of 3 April 1997, section A, paragraph 10; and 52/212 B of 31 March 1998, paragraphs 3 to 5.

2. The Secretary-General therefore has the honour to present for the consideration of the General Assembly an update of the information previously provided in A/57/416/Add.1 on further measures taken or being taken to implement the recommendations of the Board of Auditors by the executive heads of the following funds and programmes: the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation (UN-Habitat), the Fund of the United Nations International Drug Control Programme (UNDCP), the United Nations Office for Project Services (UNOPS), and the International Tribunal for Rwanda (ICTR).

II. Update of the measures taken or being taken to implement the recommendations of the Board

A. International Trade Centre UNCTAD/WTO[1]

3. **In paragraph 9 (b), the Board recommended that ITC conduct its planned review of the outstanding requirements of its Corporate Management Information System (CMIS), determine a cost-efficient monitoring system and reach a formal decision on the two CMIS modules that were put on hold.**

4. The ITC has considerably increased its usage of CMIS as a portal for collecting data used for the reporting on various activities. In particular, data from CMIS and its module QMR are integrated into a new online project portal through the Intranet. The implementation of the Integrated Management Information System (IMIS) as of April 2003 will make data available on a daily basis instead of monthly. Work is progressing to integrate IMIS data with CMIS and work on the re-engineering of CMIS will resume during the second quarter of 2003. Modules of the re-engineering of CMIS are expected to become available incrementally as of the end of 2003.

5. Most of the changes to IMIS required to accommodate the dual currency operations of ITC (budget in Swiss francs and reporting in United States dollars) have been done by the IMIS team at the United Nations Headquarters and are being implemented with Release 3. One module is still under development and should be delivered by the end of the second quarter of 2003. A report to the General Assembly is expected for the spring of 2004 and depends upon the outcome of consultations with the Secretariat of the United Nations and that of the World Trade Organization. The implementation date of the IMIS Swiss francs module depends upon the United Nations IMIS team in New York.

6. The Director, Division of Programme Support is responsible for implementing this recommendation.

7. **In paragraph 28, the Board recommended that ITC further streamline the management of its projects and particularly file and update summary financial progress report tables of amounts received and paid.**

8. ITC implemented the financial module of IMIS as of 1 April 2003. Once the implementation is bedded down, ITC will look into the feasibility of producing automated reports to meet the audit recommendations. Depending on the workload of the Information Technology Services Section, the recommendation should be fully implemented by the end of 2003.

9. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

B. United Nations University[2]

10. **In paragraph 10 (c), the Board recommended that the United Nations University prepare the budget and record expenditures per project, per object of expenditure and accordingly enter the data in the Financial, Budgetary, and Personnel Management System (FBPMS); and enhance this System to allow it to reject obligations in excess of allotments at data entry.**

11. Negotiations between the United Nations University and a consultant on the conversion of the FBPMS to a web-based system are still ongoing.

12. The Chief of Finance is responsible for the implementation of this recommendation.

C. United Nations Development Programme[3]

13. **In paragraph 23, recommendation 11 (a), the Board recommended that UNDP monitor the financial position of the funds administered by it and continue to take measures to ensure that it maintains healthy fund balances for its regular resources.**

14. The United Nations Capital Development Fund (UNCDF) has confirmed that efforts has been made and will continue to be made to reduce programme approvals and expenditure at levels commensurate with accumulated liquidities and income. The level of new programme approvals was reduced to $9 million in 2002. As actual core contributions were lower than anticipated in 2002, UNCDF had to re phase a significant portion of its programme expenditures down to $29 million, as compared

to $32.8 million in 2001. UNCDF will continue to monitor closely its financial situation in 2003 to ensure that its 2002 programme approvals and expenditures are commensurate with available resources.

15. On the income side, in its decision 2002/26, the Executive Board invited the international community to help to achieve the UNCDF core resources mobilization target of $30 million per year. The achievement of this target is considered necessary for UNCDF to reach a level of programme approvals and expenditures in the near future that can help to reduce the current sizeable gap between the demand of programme countries for its investments and capacity-building services in its two focus areas and its ability to respond.

16. **In recommendation 11 (d), the Board recommended, and UNDP agreed, that all bank accounts should be reconciled and a formalized procedure implemented for the review of material bank account reconciliations.**

17. On a monthly basis, the Chief of the General Accounting Unit reviews the reconciliation and a copy is forwarded, formally, to the Treasury Section for follow-up action on the reconciling items.

18. **In paragraph 56, the Board recommended that obligations be recorded only on the basis of valid obligating documents and that they should be recorded in the appropriate accounting period.**

19. The United Nations Volunteer programme (UNV) agrees with the Board's recommendation. UNV confirms that they have at all times adhered to the normal rule but had to make an exception in December 2001 because UNV was clearly committed and had taken all necessary steps to make the purchases before 31 December against a specific budget allocation identified and confirmed at the end of the third quarter. However, by doing so, the UNV was able to save $6,000.

20. **In paragraph 69, the Board recommended that UNDP intensify its efforts to clear the remaining long-outstanding differences with executing agencies and make the necessary adjustments to the records. Also, UNDP should follow up in a timely manner on any differences in the quarterly reconciliations and apply a consistent basis of comparison.**

21. UNDP has assigned two examiners on a full-time basis to intensify the reconciliation of the outstanding differences between agencies and UNDP books. Action being taken to resolve issues are as follows. With the new standard reconciliation format required from the agencies, details of long-outstanding items, particularly items prior to 1999, are now identified and are being fully investigated. Communications are being sent to the country offices and other in-house offices on behalf of the agencies to facilitate settlement of disputed charges. Associated agency queries are being followed up between the executing and implementing agencies to assist in resolving issues. Queries regarding expenditures and administrative and operational services are being investigated and details by projects are being sent to the agencies to enable them to identify discrepancies. Considering that disputed items date as far back as the early 1990s, it is estimated that it will take about two to three years to ascertain the validity of the agencies' operating fund statement outstanding balances.

22. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for the implementation of the recommendation.

23. **In paragraph 164, the Board recommended that UNDP implement proper controls to ensure that the requirements of the corporate card manual in respect of transaction limits are adhered to and that where there is a need for an increased limit, UNDP implement proper controls to ensure that expenditure is within the allotment lines.**

24. The agreement with the carrier, JP Morgan Chase, does not allow for any single transaction to exceed the limit of $2,500 or a total of $10,000 per month per cardholder. Authority to exceed these amounts must be granted by the card administrator in UNDP. During the pilot roll out of the purchasing card, the limit for each transaction was set at $1,000. This led to some exceptions of allowing transactions up to $2,500, since the Financial Regulations and Rules permit contracting up to $2,500 without a written purchase order. With increased experience of using the purchasing card and implementation of PaymentNet Software, the limit has been increased for all cardholders to $2,500 per transaction. With this increased limit, there has been no exception over the last six months.

25. **In paragraph 166, the Board recommended that UNDP implement controls to ensure that each cardholder complies with the terms of payment as stipulated in the agreement between UNDP to avoid unnecessary expenditure.**

26. On a monthly basis, UNDP monitors the status of payments by cardholder and would follow up with cardholders who have missed the month-end deadline for settlement of amounts due. Cardholders who incur late fees would have those fees recovered from their salaries and in cases of delinquency in excess of 60 days, the privilege of the card would be withdrawn. The following controls have been established to ensure that that there are no late payments: online PaymentNet web site, which allows monitoring of those who are delinquent. This is being monitored by the Office of Legal and Procurement Support. JP Morgan Chase provides on a monthly basis the list of cardholders who are delinquent by five days, which expedites payment.

D. United Nations Children's Fund[4]

27. The Executive Director is responsible for overseeing the implementation of audit recommendations. This responsibility is, however, shared with the senior staff responsible for the specific areas covered in the audit recommendations.

28. **In paragraphs 14 (g) and 138, the Board recommended that UNICEF integrate supply planning in the programme planning process by using automatic data extraction and that it establish clear directives to obtain more realistic and accurate supply plans from country offices.**

29. Supply planning has been integrated in the programme planning process of the new version of ProMS. The following activities have taken place to address the recommendation. The Cognos cube was tested in February 2003 and is now an online tool that is updated weekly. A global consultation (ConsulTing) on integrating supply planning in the programming process was held by the Supply Division. The full report is posted at http://www.intranet.unicef.org/supply/sdvisionting.nsf. A supply directive (CF/SD/2003/002) describing the ProMS-based process for the planning of supply inputs for UNICEF country programmes and the

accountability of country offices, regional offices, and the Supply Division was issued in late February 2003.

30. The Director of the Supply Division is responsible for the implementation of the audit recommendation.

31. **In paragraph 14 (h), the Board recommended that UNICEF adopt a consolidated treasury manual, review the opportunity to include external members in its Financial Advisory Committee, and consider investing in a more diversified portfolio and using external fund managers.**

32. A second draft of the consolidated treasury manual is being refined. Survey questionnaires on the matters of including external members in the Financial Advisory Committee, considering the possibility of investing in a more diversified portfolio and on the matter of using external fund managers are being analysed.

33. The UNICEF Comptroller is responsible for the implementation of the audit recommendation.

34. **In paragraph 14 (i), the Board recommended that UNICEF improve its information technology security by finalizing its corporate information security policy and, in consultation with other United Nations organizations, complete its disaster recovery plan as soon as possible.**

35. The draft information security policy was submitted to the Business Process Systems Management Groups in September 2002. The top layers of the policy (policy, data classification, and standards of electronic conduct) are in finalization stages with the Senior Legal Adviser and the Division of Human Resources. The report was finalized in the first quarter of 2003. On the issue of disaster recovery, implementation is ongoing. Specific actions have been implemented to increase bare-bones redundancy between the two UNICEF locations (633 Third Avenue and 3 United Nations Plaza). Further actions will be defined based on resource availability in 2004.

36. The Director, Information Technology Division, is responsible for the implementation of the audit recommendation.

37. **In paragraph 44, the Board recommended and UNICEF agreed to (a) review the recoverability of all outstanding advances and endeavour to recover them; and (b) reduce the volume of personal advances recoverable outstanding for more than 24 months.**

38. Implementation of this recommendation is ongoing. Clearing work continues. Some improvements will result from Standing Travel Advances and amended interface from the ProMS Hub. The entire work process will be reviewed by the end of the second quarter of 2003.

39. The Comptroller is responsible for the implementation of the audit recommendation.

40. **In paragraph 49, the Board recommended, and UNICEF agreed to consult with other United Nations entities to determine a common accounting treatment of Central Emergency Revolving Fund (CERF) expenditures.**

41. Implementation is ongoing. UNICEF will complete its consultations with United Nations agencies by the second half of 2003, to determine a common accounting treatment for CERF.

42. The Comptroller is responsible for the implementation of the audit recommendation.

43. **In paragraph 146, the Board recommended (a) that UNICEF review the present rules, with a view to raising them to the most demanding standards on ethics, gifts and offers of hospitality, (b) that a declaration of existing interests be obtained from the professional staff of the Supply Division, and (c) that staff members be reminded of existing rules and regulations regarding interest in supplier companies.**

44. Implementation is ongoing. The Department of Human Resources facilitated two ethics workshops in November 2002, with the participation of 36 staff members. All new staff members are given a set of UNICEF staff rules, including the code of conduct. During orientation workshops, they are reminded of these rules and the code of conduct.

45. The Director, Human Resources, is responsible for the implementation of the recommendation.

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East[1]

46. **In paragraph 11 (a), the Board recommended that UNRWA review, in conjunction with United Nations Headquarters, the funding mechanism and targets for end-of-service liabilities in line with policies adopted by other United Nations organizations.**

47. The recommendation remains unimplemented. As previously indicated (see A/57/416/Add.1) in the response to the audit report, due to the inadequacy of funding, UNRWA is precluded from establishing specific reserves for this purpose. However, end-of-service liabilities during a financial period are met from the existing resources.

48. The Deputy Commissioner-General and the Comptroller are responsible for the implementation of the recommendation.

49. **In paragraph 11 (b), the Board recommended that UNRWA implement the asset module included in the newly acquired financial management system as a matter of urgency in order to rectify the deficiencies in the management and control of fixed assets. In addition, proper asset counts should form the basis of validating data in the asset module, and the assets should be properly stated in the financial statements and the notes thereto in terms of UNRWA's accounting policy.**

50. The implementation of the fixed asset module of the new financial management system is in progress. The control over fixed assets will be improved.

51. The Comptroller is responsible for the implementation of the recommendation.

52. **In paragraph 11 (e), the Board recommended that UNRWA review its policy on the pre-financing of donor-specified projects in view of the adverse**

effects it could have on the implementation of other projects and the impact on the cash flows of UNRWA.

53. The recommendation has not been fully implemented. There is no written policy on pre-financing of donor-specified projects. In the interest of speedy implementation and quick receipt of project funds from a donor, there have been instances, on an ad hoc basis, where allotment of funds was advanced against a confirmed pledge to initiate project implementation. This practice has not adversely impacted on UNRWA's cash resources or implementation of other projects. Generally, before disbursements are made against project funds, such funds would have been received. However, it should be noted that some donors insist on conditioning their project funding on a reimbursement basis.

54. The Comptroller is responsible for the implementation of the recommendation.

55. **In paragraph 11 (f), the Board recommended that UNRWA evaluate headquarters operating costs with a view to further optimizing efficiency and effectiveness. This evaluation should cover both quantifiable aspects and non-quantifiable matters.**

56. The recommendation could not have been implemented as the two headquarters locations are the result of a political decision and the current political circumstances make an early reversal of the decision unlikely. Conducting an evaluation to merge the locations at this stage would not be beneficial.

57. The Deputy Commissioner-General and the Comptroller are responsible for the implementation of the recommendation.

58. **In paragraph 11 (g), the Board recommended that UNRWA revise its recruitment strategy to lower the number of vacancies at headquarters to an acceptable level to enable UNRWA's functions to be performed in the most efficient and effective manner.**

59. The Department of Administration and Human Resources through its Recruitment Section has since April 2002 been able to recruit quite a number of suitable candidates to fill vacant international posts at Gaza headquarters. By the end of December 2002, the vacancy rate on the international staffing table, Agency-wide, was reduced from 21 per cent to 10.5 per cent against the Department's 5 per cent target. By the end of February 2003, only 5 posts were vacant on the international staffing table of 105 posts, representing a 5 per cent vacancy rate. A number of the newly filled posts were at headquarters Gaza and Amman. This is expected to significantly improve the effectiveness of the relevant headquarters functions.

60. The Director of Administration and Human Resources will ensure that the above actions are implemented.

61. **In paragraph 78, the Board recommended that UNRWA extend the application of computer-assisted auditing techniques to increase the effectiveness and efficiency of the internal audits.**

62. The Audit and Inspection Department obtained Audit Command Language (ACL) packages, and has contracted with an external expert to conduct a training session for Department staff in December 2002.

63. **In paragraph 97, the Board recommended that the Audit and Inspection Department strengthen supervisory responsibilities, as appropriate, as well as its documentation of the supervisory review.**

64. Supervisory responsibilities are and will be further strengthened through delegation, as appropriate, and documentation of supervisory review.

65. The Audit and Inspection Department has improved its Response and Recommendation Implementation Table to facilitate tracking of responses received for overall follow-up and review purposes. The Department reports periodically to the Commissioner-General on the status of implementation to its recommendations.

66. The Director of the Audit and Inspection Department is responsible for the implementation of the recommendations above, relating to the Internal Audit Division.

67. **In paragraph 106, the Board recommended that UNRWA update the disaster recovery plan for all areas.**

68. The task is now initiated as a result of the recent recruitment of the newly established post of Head, Technical and Telecommunications Services Section, which was a result of the recently approved Information System Division restructuring. The incumbent reported to duty on 1 October 2002.

69. **In paragraph 110, the Board recommended that UNRWA formally compile, document and approve programme change control procedures covering the entire process, from the initial change request to the eventual migration of the change into the production environment.**

70. Whenever possible, documentation of changes are compiled and filed. Approval of major changes or addenda to the contract are available in the Ramco contract files or the Steering Committee minutes.

71. **In paragraph 121, the Board recommended that UNRWA develop its own fraud prevention plan, including fraud-awareness initiatives. In developing the plan, UNRWA should discuss features of it with the United Nations and other funds and programmes to obtain the benefits of best practices, where available, in specific or all of the elements being considered.**

72. The Audit and Inspection Department is initiating an Agency-wide fraud-prevention initiative under the direction of the new Director of the Department.

73. Additional measures have already been taken. For example, a new layout for the General Supplies, Medical Supplies, and Basic Commodities Sections was set up by mid-June 2002. The new set-up includes a swipe card limiting access to these sections and an external meeting room for suppliers in order to avoid accidental exposure to tender information.

74. The Procurement and Logistics Division has taken an initiative towards fraud prevention on the Division level by issuing instructions, mainly focusing on: restricting visits of suppliers/vendors to the premises to previously set appointments for meetings that should be attended by at least two staff members, one of whom must be the chief or section head.

75. The implementation of the recommendation is the responsibility of department heads, in consultation with the Director, Audit and Inspection Department.

F. United Nations Institute for Training and Research[6]

76. **In paragraph 20, the Board recommended that UNITAR continue to monitor the potential need for a Special-Purpose Grants Fund reserve and set up such a reserve in line with administrative instructions ST/AI/284 and ST/AI/285 of 1 March 1982 as soon as warranted by circumstances.**

77. Reference is made to ST/AI/284, annex, part III, section A, paragraph 1: "... Normally, an operating cash reserve at a constant level of 15 per cent of estimated annual planned expenditures will be maintained during the implementation of trust fund activities to cover shortfalls and will be utilized to meet the final expenditures under the trust fund, including any liquidating liabilities."

78. UNITAR has approximately 80 separate trust fund accounts. All expenditure is planned in advance; normally, a detailed budget is agreed with the donors. There is no margin to retain 15 per cent. All expenditure is strictly controlled, especially since the IMIS accounting system has been in place. UNITAR does not incur overspending and the creation of a reserve is considered over-prudent and not within the best interests of UNITAR as a serious cash flow problem could be created. Furthermore, the creation of this fund will leave a balance remaining after the life of the project, which normally must be returned to the donors. Administrative instruction ST/AI/284 states normally, an operating reserve will be maintained; however, the reserve is not compulsory. UNITAR will continue to monitor the potential need for a Special-Purpose Grants Fund reserve and will set up a reserve if considered necessary. However, at the moment it is considered that a reserve is detrimental to the smooth running of the projects and that sufficient financial controls are already in place.

79. The Executive Director and Finance and Administration Officer are responsible for the implementation of the recommendation.

80. **In paragraph 25, the Board considered that, especially in view of the limited and decreasing resources of UNITAR, this is a matter of concern and recommended that UNITAR provide for separation costs for non-regular budget staff members entitled to international benefits.**

81. The recommendation is under implementation. UNITAR welcomes this recommendation and will work together with the United Nations Office at Geneva during the current financial period to set up a suitable system.

82. The responsibility for implementing this recommendation lies with the Finance and Administration Officer.

G. United Nations Environment Programme[7]

83. **In paragraph 12 (d), the Board recommended that UNEP continuously assess the efficiency and effectiveness of the implementation of the terms of agreement and explore ways to optimize the accounting and financial services**

provided by the Economic Commission for Latin America and the Caribbean (ECLAC) with a view to basing the agreement on cost-effectiveness and efficiency in the future.

84. UNEP Regional Office for Latin America and the Caribbean has been meeting periodically with the administrative and financial offices of ECLAC to address delays in the provision of reports, to clear financial statements and check on the status of payments. UNEP Regional Office has also been working closely with ECLAC consultants to review and streamline the format of the reports. Operational problems with ECLAC will be discussed when the agreement is reviewed. However, since September 2002, the Regional Office operates an imprest account and no longer depends on services from ECLAC.

85. The Chief, Budget and Financial Management Services, United Nations Office at Nairobi, is responsible for the implementation of this recommendation.

86. **In paragraph 38, the Board recommended that projects should be approved before they are started. The Board also recommended that UNEP establish a reasonable lead time for the review and approval of project documents.**

87. The Project Approval Group was already paying particular attention to the proposed starting date of each proposed project to prevent projects starting before they are formally approved and a memorandum was sent in September 2001 to alert all concerned that the average lead time for approval of a project once drafted and submitted for review is four weeks. Cash advances are not paid to implementing agencies before a project is formally approved.

88. In a memorandum dated 6 April 2002, issued by the Deputy Executive Director and addressed to all Division Directors, it was stated that project proponents need to take into account that the lead time for review and approval of project documents will normally be four weeks. This, however, is dependent on prompt responses from the project proponents to project review comments and recommendations. Project proponents further need to take into account that in cases where implementing agencies need to approve the project, the lead time may be several months longer, according to the reaction time of the implementing agencies. Project proponents should ensure that no project should start before it has been fully approved internally and by all implementing partners (if any). With this the lead time for review and approval of project documents has been made clear to all concerned. No project will start before it has been approved.

89. The Programme Coordination and Management Unit has the responsibility for implementing this recommendation.

90. **In paragraph 48, the Board recommended that the Executive Director of UNEP take the initiative in bringing to the attention of the United Nations System Chief Executives Board the possibility of developing a framework to implement the environmental policies in the United Nations system.**

91. Most United Nations agencies have established an environmental focal point in their institutions to develop their own environmental policies. While UNEP has the mandate relating to environment, it can neither dictate nor impose on other United Nations agencies environmental policies and management system considering that the agencies have their respective governing bodies, which give the direction. The

Environmental Management Group (EMG) is the appropriate forum to address the objective of the Auditors' recommendation. The EMG has been established in follow-up to General Assembly resolution 53/242 on the report of the Secretary General on environment and human settlements for the purpose of enhancing United Nations system-wide inter-agency coordination related to specific issues in the field of environment and human settlements. UNEP performs the secretariat function for the EMG.

92. The Director, Division of Policy Development and Law, is responsible for the implementation of the recommendation.

H. United Nations Population Fund[8]

93. **In paragraph 10 (c), the Board reiterates its recommendation that UNFPA improve its monitoring procedures to ensure that country offices do not exceed their expenditure allocations.**

94. UNFPA accepted the recommendation that it should improve its monitoring procedures. Financial discipline is one of the key competencies in UNFPA's performance assessment process. Representatives and Division Directors who authorize expenditures over and above their ceiling will be held accountable. During 2002, UNFPA amended its project budget practices to ensure that countries do not "over-allocate" funds. These controls were reflected in the new country office system (WINUNIFOS 2.0). Division Directors have also intensified consultations with country offices on and monitoring of expenditures. During 2002, expenditures have remained within approved limits.

95. **In paragraph 10 (e), the Board recommended, and UNFPA headquarters agreed, to intensify its efforts to improve audit coverage in countries where coverage is low and to implement controls to obtain compensating assurances that funds are used for the purposes intended.**

96. The Chief of the UNFPA Audit Services Branch provides Geographic Division management with data on nationally executed (NEX) audit coverage for follow-up. In addition, Division Directors have been advised to ensure compensating assurances while making every effort to increase the audit coverage. A low project audit coverage is a main criterion for a management audit of a country office. It should be noted that in 2001, NEX project audit coverage was 86 per cent.

97. **In paragraph 10 (g), the Board recommended, and UNFPA agreed, to perform a forward-planning exercise to ensure sufficient resources are available to evaluate NEX audit reports after the prescribed deadline.**

98. The Chief of the UNFPA Audit Services Branch agrees to increase forward planning to ensure that evaluations of audit reports are issued in a timely manner. One Audit Specialist has been designated to work full time on 2002 NEX audits and consultants will be hired during peak periods.

99. **In paragraph 10 (i), the Board recommended that UNFPA maintain data relating to audit cost for each project on the consolidated database. UNFPA headquarters should analyse the cost to determine whether the benefit of the actual audit exceeds the cost, its relation to project expenditure and the risk assigned to the project.**

100. The Chief, Audit Services Branch, has been maintaining data on audit costs in the NEX audit database. The possibility of setting a minimum project expenditure level for NEX project audit for the next round is being considered.

I. Fund of the United Nations International Drug Control Programme[9]

101. **In paragraphs 11 (b) and 20, the Board recommended that UNDCP* review the funding mechanism and targets for end-of-service liabilities in line with other United Nations organizations.**

102. UNDCP will proceed with an actuarial evaluation, if this has not been included in the one already carried out by the United Nations Secretariat, in order to disclose end-of-service liabilities in its financial statements for 2002-2003. The Director, Division of Treaty Affairs, will be responsible for the implementation of this recommendation.

103. **In paragraphs 11 (c) and 23, the Board recommended that UNDCP closely monitor special-purpose funds that are in deficit to ensure that outstanding amounts are recoverable and that liabilities will be covered in the event that the income pledged is not eventually received.**

104. UNODC has become more proactive in ensuring that special pledge collections match project expenditures by a closer monitoring of pledges and collections and more timely budget revisions in cases where collections are doubtful in the current year.

105. The implementation of this recommendation is on an ongoing basis and is the responsibility of the Director of the Division of Treaty Affairs.

106. **In paragraphs 11 (g) and 48, the Board recommended that UNDCP enter its Brazilian local bank account in the general ledger, register all transactions into and out of the account and ascertain that no other such bank account is operated by field offices.**

107. The recommendation has been fully implemented. From 2002, all transactions reported on a quarterly basis by the field office are reconciled and entered in the general ledger. UNODC has already ascertained from the United Nations Treasurer that there are no other such bank accounts. The recording of transactions in the general ledger is done on an ongoing basis. Responsibility for implementing this recommendation belongs to the Director of the Division for Treaty Affairs.

108. **In paragraph 54, the Board recommended that UNDCP disclose fully its write-offs as at 2002, including those of field offices and headquarters, together with the value of its non-expendable property.**

109. From 2002 onwards, note 17 to the financial statements will disclose a figure for inventory write-offs as approved by the local Property Survey Board, including those at field offices and at headquarters, together with the value of its non-expendable property.

* Since 2002, known as the United Nations Office on Drugs and Crime.

110. The responsibility for the implementation of this recommendation belongs to the Director of the Division of Treaty Affairs.

111. **In paragraph 74, the Board recommended that UNDCP review the reasons for qualified opinions from local auditors in order to measure their exact financial impact and undertake appropriate action with the implementing partners.**

112. This recommendation continues to be implemented on an ongoing basis. Appropriate action will be taken in cases where annual audit reports contain qualified opinions.

113. The responsibility for the implementation of the recommendation lies with the Director, Division for Treaty Affairs.

114. **In paragraph 84, the Board recommended that UNDCP maintain the two accounting systems in parallel operation for at least another six months until it has verified that the new system fully provides accurate data.**

115. UNDCP continued operating the financial information management system (FIMS) and ProFi, and will close the accounts for 2002 based on both systems. This will ascertain that ProFi provides accurate data. It is expected that the use of FIMS will be discontinued by the end of June 2003.

116. The responsibility for the implementation of this recommendation belongs to the Director of the Division for Treaty Affairs, together with the Chief of the Information Technology Section of the United Nations Office at Vienna.

J. United Nations Office for Project Services[10]

117. **In paragraph 10 (d), the Board recommended that UNOPS evaluate the basis and calculation of the cost of services with a view to ensuring that all costs are identified and recovered, and that it ensure that the piloted system addresses all shortcomings identified in the project management officer workload system.**

118. As an initial step, the Deputy Executive Director/Director of Operations convened a task force to analyse and make proposals on the UNOPS fee structure; UNOPS management will address the task force recommendations in the first quarter of 2003. UNOPS expects to implement its new fee calculation system throughout the organization in 2004, subject to available budgetary resources.

119. The Deputy Executive Director/Director of Operations is responsible for this activity.

120. **In paragraphs 10 (e) and 53, the Board recommended that UNOPS, in conjunction with the United Nations and other funds and programmes, review the funding mechanism and targets for end-of-service benefits. The Board considers that UNOPS may need to expedite its consideration of funding the end-of-service liabilities given the unique funding principles of UNOPS.**

121. UNOPS continues to work with the United Nations organizations and is considering funding implications. A course of action was proposed towards the end of the second quarter of 2003.

122. The Deputy Executive Director/Director of Operations is responsible for this activity.

123. **In paragraph 87, the Board recommended that the agreements between UNOPS and UNDP be finalized expeditiously, in order to regulate the functions of central services received from UNDP and should include the respective functions, responsibilities and cost structures between UNOPS and UNDP. Furthermore, the Board recommended that a service level agreement be concluded for human resources.**

124. Significant progress has been made towards the conclusion of an agreement to enhance further the cooperation between UNDP and UNOPS and clarify the responsibilities of the two respective organizations for central services in the areas of human resource management, ICT, and finance and administration. UNOPS is reviewing the details of services rendered and validating the costs associated with those services as distributed by UNDP. Finalization of a services agreement could be expected prior to the closure of 2002 accounts.

125. The Assistant Director of Finance, Budget and Administration is responsible for this activity.

126. **In paragraph 92, the Board recommended that UNOPS (a) compile a short- and long-term ICT strategic plan for the deployment of ICT, which should be updated on a continuous basis; and (b) develop formally documented and approved procedures or guidelines on aspects such as security, disaster recovery planning, back-ups and system development.**

127. There have been no further developments with respect to the implementation of this recommendation. The Chief Information Officer is responsible for this area.

K. International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994[11]

128. **In paragraph 11 (g), the Board recommended that the Tribunal establish clear and unambiguous rules to define and regulate the notion of "exceptional circumstances", as contemplated by rule 45 of the Rules of Procedure and Evidence.**

129. The recommendation is currently under review. Exceptional circumstances by their very nature cannot be predetermined. This varies from case to case and cannot be close ended. To do so would restrict the discretion of the Judges in developing the jurisprudence of the Court in accordance with the peculiar circumstances that may arise from time to time.

130. The Office of the Registrar and Defence Counsel Management Section are responsible for the implementation of the recommendation.

131. **In paragraph 25, the Board recommended, and the Tribunal agreed, that ICTR agree to implement strict procedures to ensure proper budgetary control.**

132. The Management has made programme managers more accountable in monitoring expenditures made against the approved budgetary provisions. With the introduction of the SUN Business Accounting System and Mercury Procurement System, the programme managers are provided with accurate and up-to-date financial reports helpful in assisting them to review expenditures and unliquidated obligations and to exercise budgetary control. The Budget Unit, as the overall coordinator for budgetary control, continuously monitors, reviews and approves expenditures made against the appropriations.

133. The Chiefs of Administration and Finance are responsible for the implementation of the recommendation.

134. **In paragraph 55, the Board recommended that ICTR clarify the role and responsibility of investigating indigence as soon as possible with a view to implementing more effective procedures to verify and monitor the financial position of accused persons receiving legal aid.**

135. The investigator on indigence will enhance the efforts of the Tribunal in establishing clear and enforceable working relations with Member States, in terms of providing reasonable assistance necessary to verify the financial position of the accused. Under the supervision of the Deputy Registrar, the Financial Investigator shall be responsible for the provision of legal, technical and investigative advice and direction in relation to complex and sensitive investigations in particular in connection with indigence, fee-splitting or fee-splitting arrangements, tracing, freezing and confiscation of financial assets of suspects and accused, including issues of search and seizure. In addition, the investigator will be responsible for developing and implementing investigation strategies, participating in financial investigation missions, contacting and liaising with specialists, in particular banking and financial authorities in other countries.

136. The Deputy Registrar is responsible for the implementation of this recommendation.

137. **In paragraph 82, the Board recommended that ICTR include an opening date and time in the invitations to bid to allow all potential contractors to attend the opening in compliance with the approved directives.**

138. With effect from 1 January 2002, bidders are invited to send representatives to attend the opening of bids.

139. The Chief Administrative Officer and the Chief of Procurements are responsible for the implementation of the recommendation.

Notes

[1] See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. III and corrigendum (A/57/5/Corr.2), chap. II.

[2] Ibid., *Supplement No. 5* (A/57/5), vol. IV and corrigendum (A/57/5/Corr.3), chap. II.

[3] Ibid., *Supplement No. 5A* and corrigendum (A/57/5/Add.1 and Corr.1), chap. II.

[4] Ibid., *Supplement No. 5B* and corrigendum (A/57/5/Add.2 and Corr.1), chap. II.

[5] Ibid., *Supplement No. 5C* and corrigendum (A/57/5/Add.3 and Corr.1)), chap. II.

[6] Ibid., *Supplement No. 5D* and corrigendum (A/57/5/Add.4 and Corr.1), chap. II.

[7] Ibid., *Supplement No. 5F* and corrigendum (A/57/5/Add.6 and Corr.1), chap. II.

[8] Ibid., *Supplement No. 5G* and corrigendum (A/57/5/Add.7 and Corr.1), chap. II.

[9] Ibid., *Supplement No. 5I* and corrigendum (A/57/5/Add.9 and Corr.1), chap. II.

[10] Ibid., *Supplement No. 5J* and corrigenda (A/57/5/Add.10 and Corr.1 and 2), chap. II.

[11] Ibid., *Supplement No. 5K* and corrigenda (A/57/5/Add.11 and Corr.1-3), chap. II.